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SUBJECT: GOR EDUCATION PLANS MISS LONG-TERM MARK

Classified By: EconMinCouns Eric T. Schultz, Reasons 1.4 (b,d)

SUMMARY

¶1. (C) The GOR is responding to reports that 14 percent of 700,000 university graduates in 2009 will not find work by instituting a series of measures intended to reduce labor market stress. Current plans will increase access to publicly funded slots in universities, lower the cost of student loans, and provide opportunities for additional professional training. The GOR education plans offer immediate benefits in terms of human capital investment, but fail to address the long-term restructuring needs of Russia's institutes of higher education. In particular, the proposed measures lack initiatives to correct the mismatch between the evolving demands of the economy and the technical and professional skills of university graduates. End summary.

RECRUITMENT AND JOB PLACEMENT FOR GRADUATES DECLINE

¶2. (C) Recent public opinion surveys indicate that employment prospects for new university graduates are declining. Half of Russians surveyed believe university graduates can secure employment only with great effort, according to a recent study by the all Russia Center for the Study of Social Opinions. Pessimism regarding young professionals' prospects is particularly strong among families with students currently studying in university. Deputy Minister of Education and Science Miklushevskiy told "Vedomosti" that 14 percent of the 700,000 university students graduating in 2009 would not find work. The paper also cited Higher School of Economics (HSE) Rector Kuzminova's prediction that the figure would reach 50 percent. In contrast, HSE Labor and Population Department Chair Sergey Roshchin told us the graduate employment situation would not be catastrophic this year, particularly for graduates of elite universities.

¶3. (C) Private companies short on funds are cutting back on both recruitment programs and entry-level salaries. A recent report by the ANKOR human resource research firm in St. Petersburg noted that half of participating companies planned to terminate their recruitment programs for new graduates. Job offers for current students and recent graduates are also down since the start of the economic crisis. MSU Career Center Director Karezin noted large, national holding companies in the metallurgy, hydrocarbon, and manufacturing sectors have slashed recruitment by 50-70 percent. He also reported that, at a recent seminar, directors from regional universities nationwide estimated a 30 percent fall in job vacancies for graduates. Irina Kiriy, leader of the HR club

"Vector," told "RBK Daily" salaries for young professionals had fallen 33 percent. ANKOR observed employers planned to offer inexperienced applicants salaries of only 10-16,000 rubles per month.

EDUCATION ANTI-CRISIS MEASURES ONLY A SHORT-TERM PATCH

14. (U) The GOR has announced extensive proposals to use higher education as a tool to combat unemployment. In a speech to vice chancellors on March 20, President Medvedev confirmed that all previously announced education projects would continue despite the economic crisis. The president gave particular attention to providing successful students who are currently paying their own fees access to budget-funded slots, freezing tuition fees, and establishing student loans with preferential terms. In addition, a GOR commission led by Deputy Prime Minister Igor Shuvalov has proposed spending 21 billion rubles to keep students in school during the economic crisis. Proposed measures include:

-- Increasing the period of education in schools to 12 years and providing job opportunities for unemployed workers re-trained to serve as teachers;

-- Offering graduating students the opportunity to progress to the next level of education at reduced tuition rates;

-- Providing delays for education loan payment in case a recipient loses his/her source of income.

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15. (C) Experts with whom we talked agreed that the proposed GOR interventions in the education sector offered temporary relief from the economic crisis. In a meeting on March 19, Valeriy Karezin, Director of the Moscow State University (MSU) Career Center, stated that he was confident the government's proposals to retain students in universities and prevent new graduates from adding stress to the labor market would be effective because of the desire of Russian youth to study. He claimed investing in human capital by providing youth additional education at reduced expense was the right thing to do during the crisis period. However, Valeriy Oskin, Director of the Association of Consultants in HR Recruiting, argued that while the government's measures would provide short-term relief to labor market tension by delaying students, entry into the market, the proposed plans by no means substituted for a long-term strategy to improve the correspondence between the preparation students receive for their careers in universities and the demands of the labor market.

LABOR MARKET DEMANDS NEW SPECIALTIES AND SKILLS

16. (C) Russia's shifting economic situation is changing the profile of labor market demand. According to SuperJob.ru, office management and engineering specialties connected to the manufacturing, hydrocarbon, and metallurgy sectors have declined rapidly. At the same time, certain professions, including sales, information technology, accounting, medicine, and law, maintain their relevance even during the crisis. Karezin mentioned that demand in some sectors waned but subsequently surged again as they adapted to emerging market trends. Banks, which dropped recruitment in the fall, have already started to restructure their job portfolio and increase demand for strategic analysts and sales specialists.

17. (C) In contrast to this rapidly shifting labor market, Russia's higher education sector continues to prepare students with skills and expectations geared toward the economy of the past. During a presentation at a socioeconomic conference in Moscow on April 7, Andrei

Fursenko, Minister of Education and Science, stated the economic crisis highlighted the significant mismatch between the demands of the economy and the training provided by the university system. Oskin, Director of the Association of Consultants in HR Recruiting, argued Russian institutes of higher education lack proactive processes to facilitate graduate recruitment into the labor market. He criticized the insufficient emphasis on career planning, behavioral norms in the labor market, as well as practical social communication and business skills in university education.

18. (SBU) Studies indicate that university students also maintain unrealistic expectations for entry-level salaries. A recent AIESEC survey of St. Petersburg students revealed 43 percent anticipated receiving a starting salary of 20-30,000 rubles per month, far higher than what employers are prepared to offer.

COMMENT

19. (C) Russia's system of higher education as a whole lacks the innovation, flexibility, and competition necessary to respond to shifting labor market demands efficiently under the best of circumstances, much less when faces with difficult economic conditions. Education experts generally approve of the human capital investment benefits of the GOR's anti-crisis measures as near-term measures. However, the current plans fall short of the reforms needed to improve universities' ability to adapt the composition of future graduating classes to employers' needs, nor will they improve graduates' professional discipline and communication skills. The crisis itself may address part of the mismatch between education and the market by lowering graduates, salary expectations. End Comment.
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